



**Director of
Central
Intelligence**

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National Intelligence Daily

**Saturday
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USSR-INDIA-PAKISTAN:**Soviet Position on Border Tensions**

There appears to be no foundation for Islamabad's fears that Moscow encouraged New Delhi to provoke the recent tensions along the Pakistani border in order to extract concessions on Afghanistan from Islamabad, but the Soviets have prevailed on India to provide public relations support for the Afghan regime's efforts at "national reconciliation."

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A Pakistani Foreign Ministry official has told the US Embassy that Islamabad now credits the Soviets with having worked to avoid war. Pakistani officials speculated earlier that Moscow had urged New Delhi to heighten tensions in order to increase pressure on Islamabad to soften its position on Afghanistan.

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~~The US Embassy in New Delhi reports an Indian politician unfriendly to the Soviets, but with a wide range of contacts, says Moscow urged restraint on both India and Pakistan, causing some resentment among Indians over what they regarded as Soviet "evenhandedness." The Embassy also notes that Soviet diplomats in New Delhi were discreetly silent during the crisis.~~

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Coverage of the border tensions by Soviet media was not inflammatory. An editorial in *Pravda* on 6 February hinted that Moscow had played a part in defusing tensions.

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Indian media and some Indian officials have reacted positively to Kabul's cease-fire and efforts at national reconciliation. The Indians lobbied the recent Islamic Conference summit in Kuwait to have these measures acknowledged favorably. Afghan Foreign Minister Wakil just concluded consultations in New Delhi; this was the highest level Afghan visit to India since the Soviet invasion of Afghanistan in late 1979.

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Comment: Moscow benefits from some degree of tension between India and Pakistan and frequently tries to play on India's suspicions on such issues as a Pakistani military buildup or Islamabad's alleged involvement with the Sikhs. The Soviets may hope that one byproduct of the latest tensions will be getting Pakistan to make concessions on Afghanistan.

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The USSR has provided misleading intelligence to its clients in the past to intensify and exploit conflicts. Conceivably, it might have passed false information to India in an attempt to increase the pressure on Pakistan—perhaps even to precipitate the fall of the Zia regime—or to reinforce India's waning reliance on Moscow.

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Moscow's reported attempts to reduce tensions would be consistent, however, with General Secretary Gorbachev's failure during his visit to New Delhi in November to give a specific commitment to the Indians to support them in their disputes with Pakistan—a development that occasioned some concern in New Delhi about Soviet intentions in the region. Indeed, an Indo-Pakistani war might hurt Soviet interests by disrupting Moscow's relations ~~with both the US and~~ China, especially if the Soviets were drawn in on India's side. A war could also foster Pakistani unity just as Moscow is trying to promote divisions within Pakistan over Islamabad's support for the Afghan resistance. Moreover, a war might undercut efforts by Moscow to improve its international standing by projecting itself as a peacemaker in regional disputes. 

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Moscow is attempting to exploit India's standing in the Third World to encourage Pakistani concessions on Afghanistan by publicizing New Delhi's endorsement of Kabul's recent efforts at "national reconciliation." Soviet representations have convinced some Indian officials the Soviets will withdraw from Afghanistan if a face-saving settlement can be achieved there. New Delhi believes such an outcome would eliminate a principal reason for Pakistan's military buildup. 

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**GULF
COOPERATION
COUNCIL:****Economic Talks**

The six Arab states that comprise the Gulf Cooperation Council are actively pursuing new commercial accords with their major trading partners and probably will urge the US during meetings in Bahrain to increase its participation in the Arab economies in the Persian Gulf region. [redacted]

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NO
The US Embassy in Riyadh reports that the six states appear eager to negotiate an investment treaty and preferential trade accord with the US in order to secure markets for their growing petrochemical industry and to stimulate their sluggish economies. In talks beginning in Manama today, they will sound out Washington on OPEC's efforts to sustain higher oil prices and on the Iran-Iraq war. [redacted]

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Gulf Council negotiations with the EC in November produced only limited progress toward a free trade agreement. [redacted]

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[redacted] a number of industrial trade associations in Western Europe oppose freer trade with the Gulf states. These groups believe that Gulf producers are dumping their petrochemicals in EC markets and that freer trade would hinder development of domestic fertilizer and chemical industries. [redacted]

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Talks in Tokyo last month—the GCC's first formal discussions with the Japanese—centered on energy issues and Japanese investment in the Gulf, according to the US Embassy in Tokyo. The meetings left the door open for further talks but resulted in no substantive trade agreement. [redacted]

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Comment: GCC members will push hard for trade concessions from the US as a precedent in negotiations with other trading partners. Council delegates almost certainly will seek clarification of new US tax legislation, especially changes involving foreign investments, and possibly a stronger dialogue on oil policy. Security issues will probably be raised, with renewed requests for advanced arms likely. [redacted]

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If talks with major trade partners remain disappointing, the Gulf Council is likely to move toward a more aggressive strategy designed to play them off against each other to secure preferential trade agreements. [redacted]

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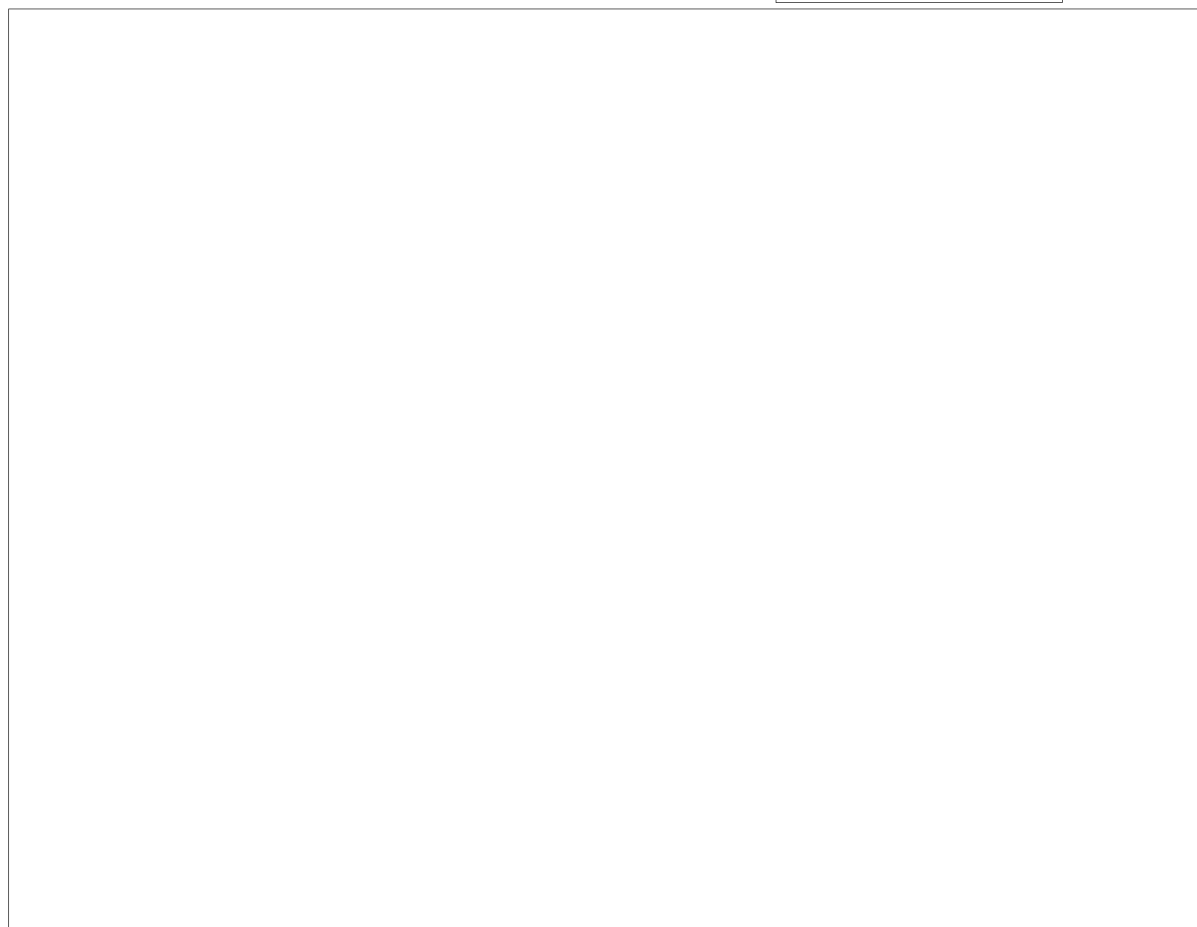
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**SYRIA-USSR: Military Delegation Visit**

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The Syrians, in response to a Soviet invitation, are sending a high-ranking military delegation to Moscow, probably to prepare for a visit by President Assad. [redacted] the Syrian chief of staff is heading the delegation, which includes representatives from all branches of the armed forces and top officials in the Ministry of Defense. Syrian media have reported Assad has received an invitation from General Secretary Gorbachev to visit the USSR, although a Soviet Foreign Ministry official claims no date has been set.

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Comment: President Assad most recently visited Moscow secretly last March. The current delegation almost certainly will use the danger of an Israeli or a US strike and Syria's worsening economy to press for additional Soviet support. The Syrians undoubtedly are seeking more and better weaponry. [redacted]

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[redacted] Following its decision to deactivate a number of ground forces brigades, Damascus probably is greatly concerned about a possible Israeli attack. Moscow nonetheless probably is not sure Syria can absorb and pay for additional weapons and continue to service its outstanding debt. [redacted]

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USSR-SOUTH YEMEN: Moscow's Patience Wears Thin

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TASS reports and the joint communique capping this week's meeting in Moscow between senior Soviet and South Yemeni party, military, and economic officials reflect continued tensions between the two sides. The talks were described as "frank"—indicating sharp differences—and General Secretary Gorbachev spoke at length on the importance of compromise, unity, realism, and the need to reinforce South Yemen's international prestige. Aden's party leader Al-Bayd spoke of a general amnesty in reference to the refugee problem but excoriated supporters of deposed President Ali Nasir as a rightwing opportunist minority.

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Comment: Moscow's high-level treatment of the visit—Second Secretary Ligachev played a prominent role—is standard fare when hosting a fellow Marxist regime, but the Soviets clearly are frustrated that South Yemeni hardliners are ignoring their advice on achieving stability at home and recognition in the region. Al-Bayd's allusion to an amnesty probably was overshadowed in Soviet eyes by his deprecating reference to the coup plotters and the ongoing treason trials in Aden of 48 refugees. The presence of ranking military officials suggests military aid discussed, but Moscow will be cautious about increasing arms deliveries to an unstable ally.

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POLAND: Solidarity's Economic Program

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Solidarity, Poland's banned trade union, has released its long-awaited economic program. It calls for market-based reforms and charges that the regime's reform program is bankrupt. The proposals focus on maintaining living standards and call for cost-of-living adjustments and a reorientation of investment to production of consumer goods.

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Comment: The program will appeal to Polish workers, but its stress on raising consumption does little to address Poland's serious debt problem and modernization requirements. Senior officials will try to dismiss the opposition's call for improved living standards as unworkable without increased productivity. They acknowledge, however, that the regime is vulnerable to criticism of its economic policies, and they will have to be more sensitive to worker concerns with living standards if the opposition's program gains a wide audience—further limiting Warsaw's economic options.

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JAPAN-PHILIPPINES: Kidnaping Souring Relations

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The kidnaping of a Japanese businessman in the Philippines is hurting relations between the two countries. Mitsui, the victim's employer, is becoming increasingly frustrated about the three-month-old case, complaining that Philippine investigators are doing a poor job. [REDACTED]

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[REDACTED] Several large Japanese firms have withdrawn all of their Japanese personnel from the Philippines. Tokyo advised its citizens against unnecessary travel there, and its advice has sharply curbed charter tourist flights and dried up an important source of foreign exchange for Manila. For its part, Manila is concerned the kidnaping will damage its relations with Japan, which is one of its leading trading partners, [REDACTED]

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Comment: Although Japanese officials still support the Aquino government, Japanese reaction to the case might threaten the renewal of Tokyo's annual aid program to Manila of \$400 million, which expires next month. Without an early release of the businessman, public and parliamentary opinion in Japan is likely to be antagonized further. Other recent kidnapings of foreigners in the Philippines have taken as long as a year to resolve. [REDACTED]

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VIETNAM: Poor Agricultural Prospects

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Vietnam last year failed to meet its grain production target for the second year in a row, according to the Vietnamese press. Grain output totaled only 18.5 million metric tons, well below the planned level of 20 million tons that would be needed to attain self-sufficiency. Hanoi attributed the shortfall to the lack of production incentives and shortages of fertilizer and insecticides. [REDACTED]

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Comment: Unless the weather is unusually good, Hanoi's prospects for meeting its goal of 19.2 million tons this year are poor. Although increased food production is one of the party's three top priorities, the government has been unable to implement more price incentives because of differences of views within the leadership over economic reform. The National Assembly election in April will provide the next opportunity for economic reformers to gain the upper hand. Until then, factional debates and maneuvering within the party seem certain to hinder agricultural policy making. [REDACTED]

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WEST GERMANY: Bundestag Reconvenes

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The West German parliament reconvenes on Tuesday, but coalition talks have not progressed far enough to swear in a new government. According to press reports, the Christian Democrats and Free Democrats have agreed on agricultural and environmental policy, but differences remain over tax cuts and tax reform.

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Comment: Many party leaders were dissatisfied with the imprecise terms in the coalition agreement concluded four years ago and probably want to proceed more deliberately this time. Chancellor Kohl has declared that early next month will be soon enough to present a new Cabinet. The issues still to be negotiated—especially tax reform, foreign policy, and internal security matters—are likely to remain contentious, as the parties look ahead to state elections this spring.

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SOUTHERN AFRICA: Proposed UN Security Council Sanctions

NO

The Frontline States in southern Africa are expected to submit a resolution to the UN Security Council on Tuesday calling for mandatory economic sanctions against South Africa, according to the US Mission at the UN. The initiative follows months of rhetorical pressure for sanctions by Zambian President Kaunda and Zimbabwean Prime Minister Mugabe.

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Comment: The initiative, put forward now because Zambia chairs the Security Council this month, represents a new approach by Kaunda and Mugabe after domestic pressures and Frontline disunity caused them to back down from their self-imposed deadline of 31 December for bilateral sanctions. Botswana and Mozambique, the other two Frontline allies that trade with South Africa, have refused to join in bilateral sanctions because of their economic reliance on Pretoria. Even Kaunda is unlikely to impose any more than symbolic bilateral sanctions in the next few months, as he recovers from December's economic riots. Kaunda and Mugabe also fear—with considerable justification—that bilateral sanctions would provoke strong retaliation by the Botha regime, which will be concerned about its tough image just prior to the South African election in May. Although both leaders expect vetoes by the US and UK, they have made the initiative virtually identical to the US sanctions passed last year in order to attract maximum support.

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In Brief**Americas**

b/s
cw — **Colombian** guerrillas bombed targets in Medellin, this week, causing more than \$1 million damage, according to press . . . follows renewed attacks on pipelines in northeast . . . rebels hitting major economic targets in cities, countryside.

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b/s — **Peruvian** authorities say raids on university campuses in Lima early yesterday resulted in one death, 795 detained, seizure of 650 pounds of explosives . . . high-visibility operation designed to underscore government's new counterterrorism policy.

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b/s
cw — **Peru's** foreign exchange reserves below \$900 million, lowest since President Garcia took office in 1985, according to press . . . weak exports, dwindling access to foreign loans causing drain . . . Lima may control imports or devalue.

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USSR

b/s
cw — **Soviets** admitting serious problems with durability, maintenance of aircraft engines . . . problems incorporating new technology as well as longstanding deficiencies in materials, manufacturing . . . speeding development of Soviet technology, acquisition of Western technology.

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East Asia

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cw — **China** refusing US firm's request to inspect CFM-56 aircraft engines purchased in 1983 . . . tends to confirm that Beijing trying illegally to reverse-engineer engines for fighter aircraft . . . China not likely to produce series before 1990.

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Special Analysis**USSR:****Possible New Proposals From Peace Conference**

The Soviets will seek to portray the three-day conference opening today in Moscow as evidence of international support for Soviet arms control positions. General Secretary Gorbachev's address to the conference scheduled for Monday is likely to focus criticism on the US SDI program, but it also may contain hints of new positions on testing of space weapons, flexibility on European arms control issues, the possibility of another US-Soviet summit, and perhaps new initiatives on human rights.

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To lend credibility to the event, Moscow has invited a number of respected Western and nonaligned participants and is paying for all travel and expenses. Its announcement last week that Andrei Sakharov will attend was probably another attempt to attract Westerners to the meeting.

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Although Moscow undoubtedly will characterize the conference as an "open debate" of the issues and will take pains to camouflage its control of the agenda, a resolution condemning "the militarization of outer space," a thinly veiled critique of US SDI research, is a certainty, as is a statement calling for a total ban on nuclear tests. There is no evidence that the Soviets plan to reverse their recent decision to resume testing, but Soviet leaders probably will reiterate the pledge to refrain from testing if the US does the same.

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Gorbachev's Speech

A senior official of the Soviet Academy of Sciences announced last week that Gorbachev would speak to conference attendees on Monday, and chief Soviet negotiator at Geneva Vorontsov told US diplomats that he was helping draft the address. Most likely, Gorbachev will seek to focus criticism on the US SDI effort, although he may hint at possible Soviet flexibility on allowable testing under the ABM Treaty.

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Since the Reykjavik summit in October, Soviet officials in Geneva and elsewhere have been claiming unofficially that Moscow's position on testing of space weapons might allow for certain types of experiments outside the laboratory if explicit prohibitions were placed on testing of weapons prototypes. Other Soviet officials have suggested that the definition of permissible testing should be the subject of discussion in the US-Soviet Standing Consultative Commission. [REDACTED]

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Gorbachev may also broach the subject of yet another US-Soviet summit. In recent weeks, Soviet officials in Geneva and elsewhere have suggested that a summit might be possible as early as spring if an agreement on principles of nuclear and space limitations can be worked out in advance. The Soviets may calculate that the expectations of a possible summit, combined with the possibility of near-term nuclear force reductions, would make it difficult for the US to build the necessary political support at home and with allies to pursue an expanded SDI testing program. [REDACTED]

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The Soviet party boss may also preview a draft chemical weapons treaty which is rumored to be near completion; Moscow may intend to introduce its proposal at the Conference on Disarmament later this month or at the current round of US-Soviet chemical weapons negotiations. [REDACTED]

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To play to West European audiences, Gorbachev will probably reiterate Soviet willingness to begin multilateral negotiations on reduction of conventional forces from the Atlantic to the Urals. He also may restate—without specifics on current force levels or systems to be considered—Soviet positions on constraining shorter range nuclear systems. The Soviets have agreed to discuss shorter range systems in connection with an INF agreement and also have proposed to include them in an Atlantic-to-the-Urals forum, mainly to appeal to the divergent views of various Western governments. [REDACTED]

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Costa Rica's Peace Proposal

- Upon signature, all external aid to insurgents in the region is to end.
- Upon signature, dialogues between governments and unarmed internal opposition groups are to begin.
- With beginning of these dialogues, insurgents and governments are to declare a cease-fire.
- Within 60 days, governments are to declare amnesties for insurgents and political prisoners.
- Within 60 days, negotiations are to begin on arms limits.
- Over a six-month period, governments are to take steps to democratize, including the adoption of plans to hold free elections for a Central American parliament by mid-1988.
- UN and OAS Secretaries General and Contadora mediators and support group are to verify compliance.

Implications for US Policy

Potential Advantages:

- The diplomatic initiative shifts to the democracies.
- Attention focused on the need for democracy in Nicaragua.
- The idea that Managua must conduct talks with the anti-Sandinista rebels could eventually be promoted.

Potential Disadvantages:

- A cease-fire that does not require talks with the Nicaraguan insurgents would reduce the legitimacy of the rebels and minimize their role.
- The prohibition of aid to the anti-Sandinistas, upon signature, would decrease the pressure on Managua to make democratic changes and to agree to arms control.
- The proposal does not require Nicaragua to hold a new national election and is unclear about lifting political restrictions inside the country.
- Verification standards are vague.
- The arms control provision uses the earlier point system that freezes Nicaragua's military advantage.
- There is no explicit provision for regulating foreign military advisers.
- The proposal could drive a wedge between anti-Sandinista military leaders, who oppose it, and key political leaders, who have expressed interest in it.

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Special Analysis**CENTRAL
AMERICA:****Peace Settlement Efforts**

The recent trip through Central America by the Contadora mediators—Colombia, Mexico, Panama, and Venezuela—and their support group—Argentina, Brazil, Peru, and Uruguay—did little to break the deadlock in the peace talks for the region. The presidents of the Central American democracies will meet tomorrow to discuss deep differences over Costa Rica's peace initiative. Although San Jose's draft contains provisions that favor Nicaragua, Managua has denounced the meeting, and the mediators are skeptical about its prospects.

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The foreign ministers of the Contadora countries were disappointed by the inflexibility of the Central Americans during their trip, and they remain pessimistic about peace prospects. The group presented no new proposals. ~~One participant told US officials the only purpose of the trip was to keep the talks alive.~~ A final communique noted Central American support for peace efforts and called for a regional summit that would include Nicaragua.

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The Central American Core Four—Costa Rica, El Salvador, Guatemala, and Honduras—coordinated their response to the mediators in advance, emphasizing the need for Nicaragua to democratize and insisting on a comprehensive peace settlement. The Sandinistas, for their part, repeated their offer to drop their suits against Honduras and Costa Rica in the World Court in exchange for bilateral border agreements; they also said that they were willing to conduct new talks on arms control, ~~according to a diplomatic source of the US Embassy.~~

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Costa Rica's Proposal: A Potential Step Backward

San Jose has assured US officials its plan will include a dialogue between Managua and the armed Nicaraguan opposition, but the draft given to other democracies indicates the plan will exclude any dialogue with the rebels. Costa Rica had also promised to propose explicit requirements for democracy and not to require a cutoff of aid to the rebels until democratic changes can be verified. The draft nonetheless requires an immediate end to aid and does not include the schedule of specific democratic changes that Costa Rican President Arias has endorsed in the past.

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Arias has long opposed a military solution to the conflict in Nicaragua. He believes only a political approach that emphasizes Managua's commitments to democracy can gain sufficient international backing to get Managua to make concessions. ~~He has probably proposed a plan that falls short of US goals because he is pessimistic about the~~

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~~prospects for the Nicaraguan insurgency, he also wants to enhance Costa Rica's neutrality.~~

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Senior officials in Honduras and El Salvador have told the US Embassies in those countries that Costa Rica's plan is unacceptable to them. ~~Guatemalan President Cerezo said last week he would not support the proposal, because he feared compromising his policy of "neutrality."~~ El Salvador fears the plan would increase pressure on it to agree to demands to share power with the Salvadoran rebels; Guatemala is also likely to be wary of giving its insurgents an advantage.

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Nicaragua has accused the Core Four of attempting to sabotage the Contadora talks, anticipating that the plan would focus on Nicaraguan internal issues. Managua sent an emissary to Guatemala last week in a bid to persuade President Cerezo not to attend the meeting.

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US Embassy reports indicate Mexico and the other Contadora countries are suspicious that proposals for Nicaraguan talks with the rebels and demands for internal change in Nicaragua will reopen issues that the mediators tried to obscure in their draft, making a return to the talks more difficult. The Contadora group reacted negatively last May when Arias first surfaced the idea of a timetable for democratic change in Managua.

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Outlook

Differences that are likely to develop among the Core Four over Arias's plan may cause serious dissension in that group. The Core Four probably will publicly emphasize the need for democracy in Nicaragua and schedule new meetings to refine the proposal.

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Managua will probably continue its efforts to portray Arias's plan as a US ploy. It could express interest if the final version requires a cutoff of US aid to the rebels and does not demand that it talk with the insurgents.

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The Contadorans will most likely increase their activities in the near future as they seek to undercut US anti-Sandinista aid and to ensure that the Core Four's efforts do not isolate Managua. They will probably press for a response to their idea of a regional summit and may again seek bilateral accords between Nicaragua and its neighbors; they are unlikely to suggest, however, that their proposal of last June for a regional peace treaty be reopened. Although Contadora members are not likely to press Managua to abandon its suits in the World Court, they may suggest that the Sandinistas "suspend" the suits to create some room for negotiations.

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Special Analysis**EASTERN EUROPE-
USSR:****Splits Over Gorbachev Initiatives**

Soviet General Secretary Gorbachev's calls for openness and economic restructuring have aggravated divisions in Prague and may eventually lead to changes in the Czechoslovak leadership. The open nature of party ideologue Bilak's attack on Czechoslovak reformers inspired by Gorbachev's policies and Pravda's airing of those criticisms suggest there are still elements in Moscow prepared to give public play to disagreements over the extent and pace of reform in Eastern Europe and, implicitly, in the USSR.

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Bilak this week accused Czechoslovak advocates of Soviet-style reform of using Gorbachev's initiatives to conceal "antisocialist" activities and compared their reform proposals to those of the mid-1960s that led to Alexander Dubcek's rise. Bilak's attack followed closely a speech by reformist Premier Strougal, who lambasted the dogmatism and rigidity of Czechoslovak economic policy since the crushing of the "Prague Spring" in 1968. Other party leaders have generally remained on the sidelines, although party leader Husak appeared to remain skeptical about the Gorbachev agenda after a briefing last week by Soviet Foreign Minister Shevardnadze on the results of the recent CPSU plenum.

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Bilak's denunciation of Gorbachev-style initiatives suggests he believes his views are well represented in Moscow. Reform advocates in Prague now may hesitate until they get some new signal of Soviet support. If they get this support, Bilak may attempt to reaffirm his position by rallying the party apparat. A party plenum reportedly scheduled this month could provide a platform for continuing debate and point to possible changes.

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Moscow Airs Challenge From Conservatives

On ^{12 Feb} Thursday, *Pravda* published an abbreviated version of Bilak's speech, pairing it with a proreform statement by Slovak party chief Lenart made during a recent visit by Soviet Defense Minister Sokolov. In the aftermath of Shevardnadze's visits, Bilak and East German leader Honecker have forcefully asserted to party audiences the correctness of their countries' domestic economic and political strategies.

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Bilak's remarks will provide ammunition to Soviet conservatives who oppose Gorbachev's domestic programs. Political survivors such as Bilak and Honecker probably would not have questioned Gorbachev's policies openly had Shevardnadze carried tough messages on emulating Soviet reforms during his visits.

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